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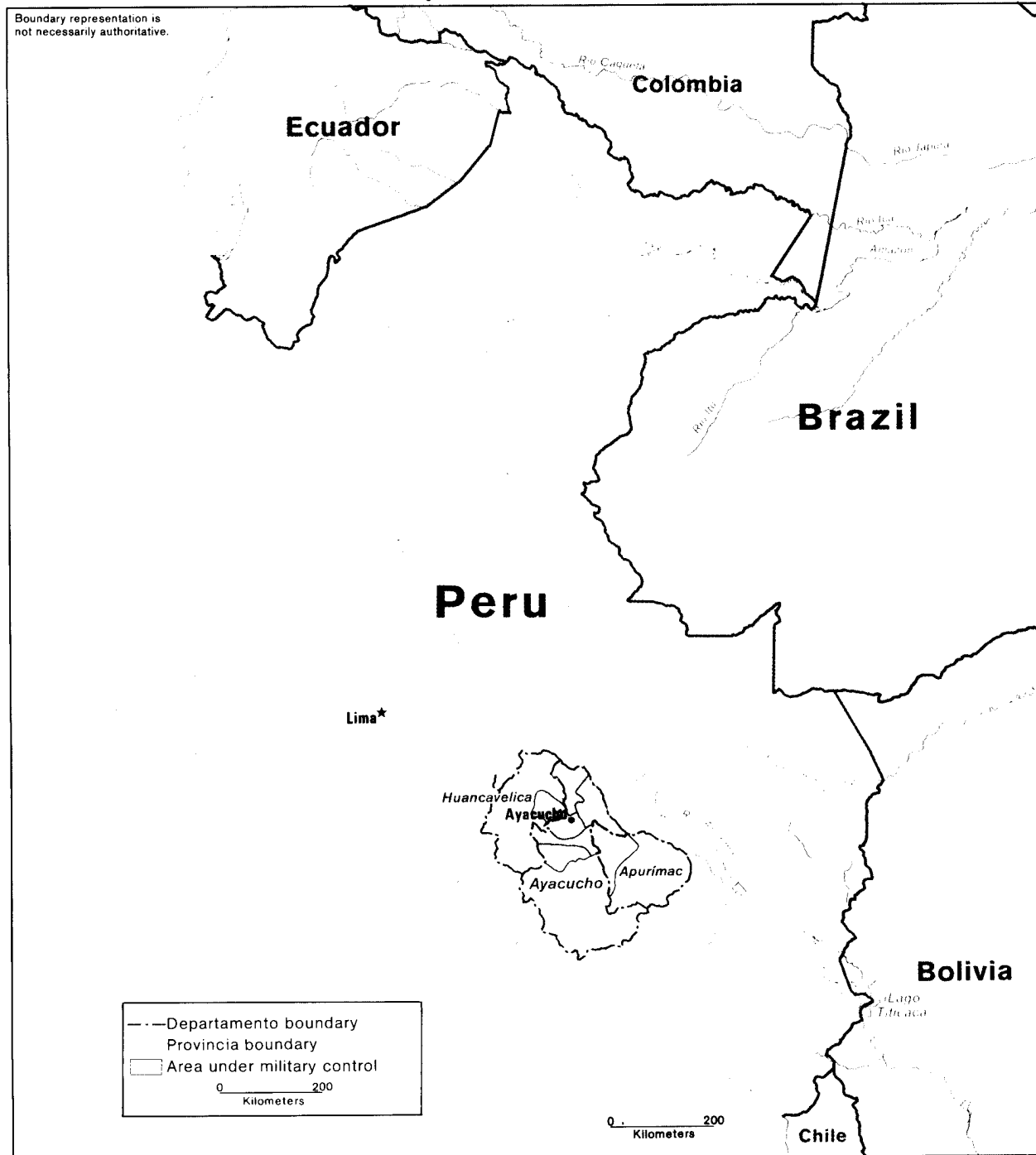
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Peruvian Provinces Under Military Control



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PERU: Offensive Against Terrorists

President Belaunde, concerned that increased terrorism is contributing to declining confidence in his government, has made a major policy shift by ordering the armed forces to participate directly in the campaign to suppress the terrorists. [redacted]

Belaunde has ordered a full-scale offensive, involving some 4,500 troops and police, in the southeastern highlands. The US Embassy reports that the government has placed five provinces in Ayacucho Department, and one each in adjoining Apurimac and Huancavelica Departments, under military-directed states of emergency for 60 days. The public and politicians have reacted favorably, according to the Embassy, despite restrictions on press coverage and constitutional guarantees. [redacted]

The President's action follows a recent increase in well-planned terrorist attacks by the Sendero Luminoso. The Embassy reported the Maoist terrorists effectively controlled the area and were attempting to strangle Ayacucho City by stopping food shipments. [redacted]

Comment: Belaunde previously had avoided committing military forces to the antiterrorist effort, primarily because he believed a similar situation in his first administration contributed to his ouster. He is under increasing pressure from civilians and the military to act forcefully, however, and apparently decided that controlled intervention by the Army poses a lesser threat than the gradual erosion of public confidence. [redacted]

The decision to restrict the military to the most heavily infested provinces probably reflects Belaunde's intention to prevent the armed forces from overstepping their authority or using excessive force. Nevertheless, the Army's recognition that a poor performance would demoralize troops and discredit the Army probably will cause it to use harsh tactics. [redacted]

[redacted] commanders will conduct a large and potentially bloody search and destroy campaign. In addition, rugged terrain and the lack of intelligence on the terrorists could make the campaign longer and more costly than planned. [redacted]

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ARGENTINA: President's Problems

President Bignone has temporarily placated his civilian opponents by granting some political and economic concessions, but the urgent need to comply with foreign lenders' austerity demands probably will provoke new unrest in the near future. [redacted]

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In his Christmas message, Bignone said national elections will be held by 6 November 1983. The Minister of Labor has announced an immediate 14-percent wage increase to dampen labor agitation. In addition, after demonstrations were staged in several cities, the government decided not to impose announced fee hikes in heavily subsidized utility and public transportation services. [redacted]

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Foreign bankers are concerned about such economic concessions. Argentine policymakers had assured them the government would reduce public expenditures and limit wage increases. According to press reports, lenders now fear these recent concessions could be followed by the sacrifice of other parts of loan agreements if there is more political unrest. [redacted]

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Comment: Bignone will be increasingly hard pressed to reconcile the conflicting demands of civilian opponents and foreign lenders. Most politicians are pushing for earlier elections, and the wage increase falls short of the demands of labor leaders, who have threatened new strikes. Although the two-month vacation period will ease some pressures, popular opposition is likely to intensify by late February. [redacted]

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Policymakers have been preoccupied with arranging debt financing but will now have to begin to implement the restrictive policies required to meet loan criteria. If they do not, foreign bankers could be reluctant to provide additional credits. This would force Argentina to request extensions on IMF deadlines or face another foreign exchange crisis. [redacted]

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WEST AFRICA: Another Bleak Year Ahead

Steadily deteriorating economic conditions in West Africa foreshadow more turbulence, greater requests for Western aid, and continuing opportunities for Libya and the USSR in 1983.

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Resource-poor and nearly bankrupt countries are searching for more foreign assistance. France remains a principal financial backer of the region but is limited by its own economic and budgetary problems.

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Balance-of-payment deficits and debt service burdens are growing as export earnings decline, food production falls, and import costs soar. Nigeria, Ivory Coast, and other previously prosperous states have had to adopt politically painful austerity measures.

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The economic downturn has eroded support for already weak governments. Demands for radical change are gaining ground among lower military ranks, underprivileged urban dwellers, and students frustrated over the lack of job opportunities. Growing frustration may lead to more civil disorder and to coups similar to the one in Ghana last year by poorly educated and trained enlisted men.

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Comment: Most West African states hope the US and Western Europe will save their economies. Liberia and other traditional friends of the US will depend even more on Washington, and even Nigeria may have to seek US aid.

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Left-leaning Guinea, Mali, Congo, Benin, and Cape Verde recognize the need to strengthen economic ties to the West. They seem willing to scrap some socialist policies in hopes of getting more aid.

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Libya, nevertheless, will continue its efforts to undermine moderate governments, especially in Chad. Libyan leader Qadhafi's anger over his failure to become OAU chairman could provoke him to retaliate against the many West African states that walked out of the OAU summit meeting in Tripoli in November. Some financially desperate countries may be tempted to follow the Central African Republic's example and accept a Libyan military presence in hopes of attracting greater assistance.

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Social and political instability in the region also will make some countries more susceptible to subversion by the USSR and Cuba. Moscow will look for opportunities to gain additional naval and air access rights.

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PORTUGAL: Ruling Coalition in Disarray

Disputes over the successor to caretaker Prime Minister Balsemao both within and between the member parties of the ruling Democratic Alliance coalition threaten to bring about an early general election. [redacted]

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The naming by the Social Democrats--the coalition's senior member--of [redacted] Vitor Crespo to succeed Balsemao opened a crisis within the Alliance's junior partner, the Center Democratic Party. Deputy Prime Minister Freitas do Amaral resigned as Center Democratic president last week to protest the decision on Crespo and the Social Democrats' failure to consult with his party. Although the National Council of the Center Democrats has tentatively endorsed Crespo, the resignation of interim party president Basilio Horta on Saturday for reasons similar to those of Freitas do Amaral has confirmed doubts concerning the party's ability to deliver strong support to the Alliance's prime minister - designate. [redacted]

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Comment: Social Democratic leaders hope that enough prominent figures from both parties will agree to serve at least temporarily under Crespo to stave off early elections--which probably would result in losses to the senior party. The Social Democrats then would have a chance to resolve their internal problems, select a more prestigious leader for the Alliance, and keep the coalition afloat. [redacted]

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Without Center Democrat support, however, not even a caretaker government can be formed. Following the Freitas do Amaral and Horta resignations, the Center Democrats probably will reconsider their qualified support for Crespo. The party may calculate that rejecting the Social Democratic nominee would be politically less dangerous than halfheartedly backing a weak Democratic Alliance government. [redacted]

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If the Center Democrats were to refuse to support Crespo, the Alliance probably would break up, President Eanes would dissolve the Assembly, and elections would be held this spring. All the major parties would enter the elections separately, with the Socialist Party of Mario Soares clearly the front-runner. [redacted]

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EL SALVADOR: Political and Military Activity

President Magana appears to have gained the upper hand in the maneuvering over cabinet resignations, and the insurgents are marking the holiday period with harassment actions. [REDACTED]

Two of the three parties in the coalition government have acceded to Magana's request that their cabinet appointees offer their resignations from ministry and subsecretary positions. Ultraconservative leader D'Aubuisson's party has yet to comply. A high party official has stated privately that, if Magana wants to remove any ultraconservatives from the government, he will have to fire them. [REDACTED]

The guerrillas have ambushed electric utility workers in Usulután Department and cut power to the entire eastern part of the country. They also have attacked three government outposts in central Cuscatlán Department.

Comment: The intransigence of the ultraconservatives probably reflects their fear that the cabinet changes will be primarily at their expense. By once again playing a maverick role in the national unity government, they may have weakened their ability to challenge ministerial changes in the Assembly. [REDACTED]

Magana apparently obtained the resignation of the more moderate elements without committing himself to any specific agreement on the composition of the new cabinet. This could give him greater room to maneuver and bring other parties into the governing process. [REDACTED]

The low-level attacks by the guerrillas during the holiday week probably were designed to keep the pressure on the government and gain publicity. [REDACTED]

[REDACTED] Meanwhile, they still have a firm hold on northern Morazan and eastern Chalatenango Departments, where the majority of their forces are based. [REDACTED]

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UN Security Council in 1983

Permanent Members	Nonpermanent Members
China	Guyana*
France	Jordan*
USSR	<i>Malta*</i>
UK	<i>Netherlands</i>
US	<i>Nicaragua*</i>
	<i>Pakistan*</i>
	Poland
	Togo*
	Zaire*
	<i>Zimbabwe*</i>

New members are in italics.

* Members of Nonaligned Movement.



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UN: Nonaligned Membership on Security Council

UN Security Council deliberations presumably will be more strident and US interests harder to protect when Nicaragua and three other Nonaligned countries become members for two-year terms beginning this month, increasing the number of Nonaligned members to eight. [redacted]

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Comment: Soon after the Nonaligned Movement ministerial conference in Managua, Nicaragua is likely to focus the Council's attention on US involvement in Central America. Both France and the Netherlands already have supported Mexican initiatives on El Salvador and may be sympathetic to proposals for investigations and debate. [redacted]

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It will become more difficult to soften resolutions on African and Middle Eastern, as well as Central American, issues and avoid the need for a veto. Both the USSR and France are likely to find the Council more responsive to proposals for a comprehensive approach to a Middle East settlement. [redacted]

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The mandate of the UN Interim Force in Lebanon expires on 18 January, and Lebanon reportedly will seek a six-month extension. Most of the countries contributing troops are dissatisfied with their mission as currently defined, and troop morale is low. The UN Secretary General and most members of the Council favor an extension in order to maintain a UN role in the Middle East peace process. [redacted]

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The Namibian issue also may be raised in the Security Council in order to keep the pressure on the Western Contact Group to secure concessions from South Africa. [redacted]

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To increase their influence, Nonaligned members of the Security Council probably will try to exploit Secretary General Perez de Cuellar's proposed changes in Council procedures. [redacted]

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JAPAN: New Defense Budget

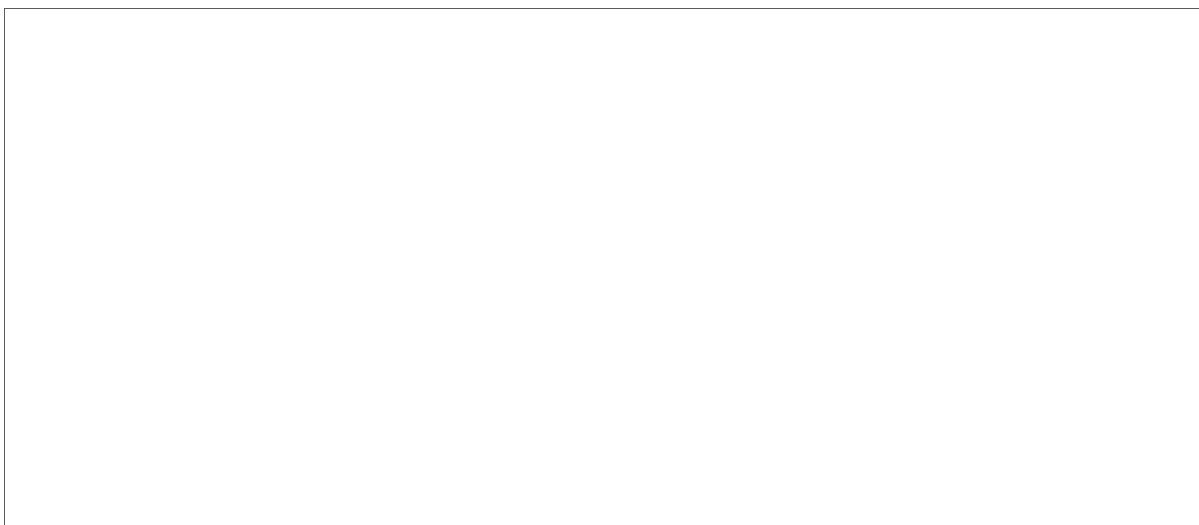
Prime Minister Nakasone and Foreign Minister Abe intervened in the final stage of the budgeting process to raise planned defense spending to \$12.6 billion, a 6.5-percent increase over fiscal year 1982 and 1.5 percentage points above the Finance Ministry's proposal. In addition, salary increases that may be granted in a supplementary budget could push the increase above 8 percent. The Defense Agency claims the budget as revised will enable the government to meet the objectives of the 1983-87 defense plan even though funds for frontline equipment and future obligations were cut back by the Ministry of Finance. [redacted]

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Comment: Nakasone's willingness to support a defense increase in a year of fiscal austerity reflects a personal commitment to Japan's security as well as a desire to strengthen relations with the US. Even though the 6.5-percent increase for defense in the new budget is less than the 7.8-percent increase of last year, Nakasone's decision is far more daring than that of former Prime Minister Suzuki because the overall budget this fiscal year is rising by only 1.4 percent as compared with 6.2 percent last year. [redacted]

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Israeli President Navon



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Special Analysis

ISRAEL-US: President Navon's Visit

President Navon's visit to Washington this week has been the subject of much public discussion in Israel and criticism by Prime Minister Begin's ruling Likud bloc. Media commentators sympathetic to the government have interpreted the "working visit" as an effort by the US to engage in substantive discussions on President Reagan's peace initiative and Lebanon, thereby playing off Navon against Begin. Underlying some of the criticism is speculation that Navon, a longtime member of the Labor Party, may return to active political life--possibly as party leader--after his first term expires in May. [redacted]

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The 61-year-old Navon is one of Israel's most popular public figures. He is the first native-born Israeli and the first Sephardic Jew--one of Middle East or North African origin--to be elected by the Knesset to the presidency. [redacted]

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The President performs a largely ceremonial function and stands above the partisan political system. He has no role in policy formulation. [redacted]

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Attitudes on Key Issues

As a member of Labor's moderate wing, Navon favors policies of conciliation toward the Palestinians and toward Israel's other Arab neighbors. He is opposed, however, to the establishment of an independent Palestinian state in the West Bank and Gaza. He maintains the official Labor Party position that a solution to the Palestinian problem has to be worked out within the framework of a settlement with Jordan. [redacted]

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Although Navon supported the peace process with Egypt, the US Embassy notes Navon is privately distressed at the direction Begin has taken Israel's foreign and domestic policies in recent years. Navon believes close ties with the US are critical to Israel's security and well-being. He is committed to the Camp David peace process and to achieving a negotiated settlement with all of Israel's neighbors. [redacted]

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Navon's Political Appeal

Because of Navon's vigor and popularity, many observers in Israel have speculated he eventually will return to active political life. Some believe he could be a serious contender for the leadership of the faction-torn Labor Party. [redacted]

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Navon's penchant for speaking out on public issues has led many in Likud to charge the President is seeking to capitalize on his office to advance his political ambitions. They probably calculate he would be Begin's toughest political opponent should he capture the chairmanship of the Labor Party. [redacted]

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The desire of Likud legislators to keep Navon out of active politics is likely to assure him of their votes if he decides on a second presidential term. This virtually would assure his reelection, but Navon admits he is under increasing pressure from Labor Party members to return to a leadership position in the party. In several recent interviews, he said he would decide in February or March whether to seek reelection to the presidency. [redacted]

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Current party chairman Peres continues to do poorly in public opinion polls and has lost to Begin in the past two Knesset elections. The polls show Navon has moved well ahead of Peres as the second choice of Labor Party supporters to head the party. [redacted]

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The polls also show former Prime Minister Rabin remains the preferred candidate. Navon's popularity has grown steadily since the beginning of the war in Lebanon, while that of Peres and Rabin has declined. [redacted]

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According to Israeli press reports, Navon has told friends he will consider reentering active politics only if Peres and Rabin ask him to do so. He apparently is reluctant to compete for the party's leadership. [redacted]

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Peres has hinted that he might step down in Navon's favor, although the US Embassy reports Peres has advised Navon that he is not suited for the tough political

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struggles he would face as party leader. Navon has never played a top leadership role in the rough-and-tumble of Israeli politics, nor has he ever served as a cabinet minister. Rabin shows no inclination to stand aside for anyone, but the Embassy suggests that, if Navon were to acquire Peres's active support, Rabin probably would be forced to follow suit. [redacted]

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Navon would make an attractive Labor Party candidate for prime minister. His background would appeal to an electorate increasingly dominated by Sephardic voters. [redacted]

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The President also would appeal to many party conservatives and probably some Likud moderates. He would be readily acceptable to followers of Peres and Rabin if they stepped aside in his favor. [redacted]

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Meetings With US Officials

Navon probably will be cautious in his discussions with US officials and will avoid any direct criticism of Begin. He knows his visit will be closely watched at home and that any public suggestion that Washington is trying to use him to win support for the US peace proposals will provoke a strong negative reaction in Israel. [redacted]

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On the other hand, Navon will express his deep concern for current strains in bilateral relations. He will stress the value of Israel's friends, particularly the US. [redacted]

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Navon probably will comment that foreign media criticism of Israel has presented only a negative picture of Israel's actions. He is likely to argue that foreign critics are too quick to assume the worst about Israel's intentions. [redacted]

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